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JAPAN AND SUB-SAHARAN AFRICA: ECONOMIC AND POLITICAL RELATIONS

Summary

Despite the vast mineral resources of the sub-Saharan region, its great distance from Japan, extreme poverty and economic instability effectively discourage Japanese entrepreneurs from increasing trade and investment activities there. Although economic relations expanded after the oil crises of the 1970s, trade and capital investment have been declining in recent years. While South Africa is a major exception and is one of Japan's largest suppliers of mineral resources, political considerations may prompt the Japanese government to place additional limitations on activities in that country. Japanese officials expect that Africa will continue to be of secondary economic importance until progress is made in rectifying the serious structural problems facing the region.

In light of these constraints, Japan has increased its foreign aid efforts in the region, concentrating on agricultural development. Aid -- in the form of grants, technical assistance and to a lesser extent loans -- is the primary link between Japan and sub-Saharan Africa, and some observers predict that it will become Tokyo's number-two aid priority (after Asia). While Japan has few overt political goals in the subcontinent -- other than its attempt to balance economic interests in South Africa with its political opposition to apartheid -- it recognizes the need to participate in human and institutional development projects.

Introduction

Historically Japan has had very little contact with sub-Saharan Africa. Because Japan was never a colonial power in Africa, relations were limited before African independence. Even then, Japan did not have the same African expertise or background as the former colonial powers; moreover, many of the most profitable enterprises were already controlled by these nations.

As a result, the Japanese government paid little attention to African affairs prior to the 1970s, and its trading interests were minor compared to most other major areas of the world. Relations consisted chiefly of limited -- and strongly laissez-faire -- private activities. However, the oil shock of 1973 heightened Tokyo's interest in the region as an alternate source of energy supplies. As part of the new "resource diplomacy," the government strengthened its African expertise in the Foreign Ministry and addressed itself to policies designed to coordinate government and private-sector interests. It is significant that the first two visits by Japanese foreign ministers to Africa took place in 1974 and 1979, each one year after a major oil crisis. This turn toward Africa was reflected in increasing trade and investment figures in the late 1970s and early 1980s. But as the stability and well-being of the subcontinent continued to deteriorate, the Japanese turned to other areas of the world for raw materials and capital investments.

These trends reflect the government's awareness that, despite the region's enormous economic potential, structural problems in sub-Saharan Africa have reached a dangerous point. The African continent contains 30 percent of the non-communist world's mineral resources, except for oil. Yet skyrocketing population growth combined with lagging agricultural development have given rise to rapid urbanization without industrialization -- hence, huge unemployment levels. The problems caused by the population explosion have been exacerbated by an average 1 percent annual decrease in per-capita food production since 1970. Of those commodities under cultivation, many are raised for export rather than consumption, including tobacco, cotton, soybeans, cocoa, coffee and peanuts. Moreover, in recent years natural disasters have become commonplace. Between 1980 and 1985, a series of droughts ravaged more than half of the African countries, causing serious food shortages that led to an increasing death toll from hunger. The gravity of these crises led Japan to place increased emphasis on humanitarian aid to the subcontinent.

Trade and Direct Investment

Japan's total trade with Africa was $8.2 billion in 1985, with imports of $3.5 billion and exports of $4.7 billion. Trade with the region grew at a steady pace following the 1973 oil crisis, but peaked in 1981 when imports reached $4.8 billion and exports $10 billion -- a total of $14.8 billion. Since 1981 the value of Japan/Africa trade has been steadily declining. Japan's largest trading partner in the region is South Africa, which imported $1 billion worth of Japanese goods and services in 1985 and exported $1.8 billion. Other major importers include Liberia, Nigeria, Kenya, the Canary Islands, Cameroon, the Ivory Coast and Tanzania. Japan's primary suppliers in the region are Zambia, Liberia, Ghana, Zaire and Zimbabwe (see Tables 1 and 2).

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Table 1: Japan's Exports to Selected African Countries, 1971-72 and 1984-85

(in millions of dollars)

	1971	1972	1984	1985
South Africa	$412.5	$364.1	$1,839.9	$1,019.9
Nigeria	96.0	126.0	445.5	342.0
Kenya	48.6	46.6	150.4	140.1
Liberia	998.8	1022.0	854.9	647.1
Ivory Coast	14.3	16.6	40.8	70.8
Ghana	31.4	13.3	30.2	41.6
Canary Islands	24.7	37.0	84.8	106.8
Cameroon	5.0	6.7	57.6	69.7
Zaire	64.1	48.2	40.8	43.5
Tanzania	17.5	21.2	78.3	75.7
Zimbabwe	0.005	0.02	35.5	24.7
Zambia	33.8	51.8	34.6	60.1
Sudan	13.8	18.1	53.0	39.9
Ethiopia	26.3	27.5	49.6	56.8

Source: Japan Tariff Association, The Summary Report: Trade of Japan

Table 2: Japan's Imports from Selected African Countries, 1971-72 and 1984-85

(in millions of dollars)

	1971	1972	1984	1985
South Africa	$319.1	$398.9	$1,610.6	$1,843.9
Nigeria	27.1	80.0	7.0	5.8
Kenya	8.4	9.9	17.0	11.0
Liberia	74.3	72.1	98.7	58.0
Ivory Coast	9.4	12.1	65.0	33.4
Ghana	40.5	46.8	71.0	67.5
Canary Islands	9.3	8.9	0.3	0.1
Cameroon	9.9	9.4	22.1	16.9
Zaire	26.9	27.1	84.5	52.4
Tanzania	9.1	11.5	17.1	16.7
Zimbabwe	0.02	0.0	71.2	55.9
Zambia	149.1	165.4	202.4	222.6
Sudan	27.2	29.0	48.7	48.9
Ethiopia	10.2	14.2	33.1	41.4

Source: Japan Tariff Association, The Summary Report: Trade of Japan

Industrial products, especially machinery, made up a full 89 percent of Japan's exports to the region in 1984. Approximately two-thirds of Japan's imports consisted of raw materials, foodstuffs and mineral fuels, with manufactured goods accounting for the remainder. The region sells Japan chromium, copper, manganese, cobalt and uranium ore, as well as cocoa, coffee, cotton, fish products and sugar (see Tables 3 and 4).

One problem facing the relationship is the trade imbalance. Although the gap has been narrowing in recent years, it has been more a function of Japan's turning to other export markets rather than buying more goods from the region. And while the problem was aggravating enough for Kenyan President Daniel Arap Moi to threaten import restrictions against Japanese products at one point, Japanese officials do not expect to increase deliveries to the subcontinent. In light of the region's economic insecurity, geographic distance and development problems, there are few items produced in Africa that Japan cannot buy more inexpensively and efficiently elsewhere. One Japanese official said simply, "Africa doesn't have much to sell."

Japanese investment in sub-Saharan Africa is limited and has been declining annually from a peak of $573 million in 1981 to a 1985 level of $172 million. The cumulative total of foreign direct investment in the continent amounted to $3.4 billion in 1985 (see Table 5). This accounts for only 4 percent of total Japanese investment, making Africa's share the second-lowest by geographic region (ahead of the Middle East). Moreover, there was a 47.2 percent decline between FY 1984 and FY 1985. Ninety percent of these funds are concentrated in four countries -- Liberia, Zaire, Nigeria and Zambia. No other country in the region has more than $100 million in direct investments. However, much of the capital invested in Liberia, which accounts for 82.7 percent of total investments in Africa, consists of Japanese ships registered in the country. Such "paper investment" does little to spur development in the region.

According to one Japanese official, investment levels in Africa are low for one major reason: businesses can engage in more efficient, profitable ventures in other areas of the world. For this reason, Southeast Asia and Latin America are more likely to host Japanese investments in natural resources. Economic security is also an issue; a U.S. official noted that although the threat of nationalization has diminished since the 1970s, "business has a long memory."

There is also a fundamental conflict about the types of investments to be undertaken. Many African countries are not eager to participate in projects that involve only large-scale extraction of raw materials. Not only are they anxious to conserve energy and mineral supplies but they also prefer to engage in ventures that facilitate industrialization. Industrial projects, however, rarely interest Japanese investors, who concentrate instead on projects in the mining and energy sectors, textiles and fisheries, including:

- Joint-venture uranium mines in Nigeria and Mali, and iron ore in Liberia. (Disappointing returns prompted a recent disinvestment in Zaire's copper.)

- Joint ventures in the fishing industries of the Gambia, Ghana, the Ivory Coast, Mauritania, Nigeria and Senegal.

- A cotton spinning and weaving company in Tanzania.
- A refrigeration and air conditioning factory in Ghana.
- Oil production in Gabon, and
- Several transport and infrastructure projects, especially in resource-rich countries.

Observers predict that investment activities will continue to decline as long as mineral resources are available elsewhere. When asked if there were any potential investment opportunities on the subcontinent, one Japanese official suggested Zambian copper, but quickly pointed to alternative copper markets in Australia and Canada.

Political Relations

Japan has a small political presence in Africa, with embassies in fewer than half of the countries on the continent. Many of these devote their energies to facilitating private business activities in the region rather than pursuing political goals. Japan has no ideological or political mission in Africa, so these countries take a political back seat.

Nonetheless, the sheer number of sub-Saharan countries gives them a certain amount of political power -- for example, in the United Nations -- and Japanese officials recognize the importance of maintaining cordial if not close relations with the region. In the 1970s efforts to cultivate African goodwill were manifested in low-key support for certain political issues, including African liberation movements; quick recognition of post-revolutionary regimes in Guinea-Bissau, Mozambique and Angola; and support for certain third world positions in the United Nations. This decade has seen more emphasis on development assistance as a means of bolstering relations. To a lesser extent, former Foreign Minister Shintaro Abe emphasized the role of "security aid" to ensure continued African presence in the Western camp.

A major consideration facing Japanese officials is how to balance Japan's economic interests in South Africa with a political need to distance itself from Pretoria. Japan's limited goals in black-ruled Africa, its lack of historic or ethnic ties with either South African whites or blacks, and its sparse economic ties in the region mean that there is less pressure to take action against apartheid than in the United States and the former European colonial nations. Nonetheless, Tokyo does not want to jeopardize its cordial relations with black-ruled Africa -- or more importantly, antagonize Western opinion -- by embracing South Africa. For these reasons, Japan views limited sanctions as a political necessity.

Japanese Aid to Africa

If trade and investment have been declining in recent years, economic aid has been steadily expanding. The total volume of bilateral Official Development Assistance to African countries (excluding Egypt, Libya, Morocco, Algeria, Tunisia and South Africa) increased 130 percent between 1973 and 1984.

Table 3: Japan's Exports to Africa by Commodity, 1981-84*

(in millions of dollars)

Exports	1981	1982	1983	1984
Total	$10,038.5	$6,930.4	$6,006.1	$6,358.1
Food	227.3	200.0	166.8	78.0
Industrial Raw Materials and Fuels	35.5	31.7	19.6	19.0
Light Industrial Products	967.5	657.9	638.4	608.6
Heavy Industrial Products	8,782.8	6,031.7	5,170.3	5,644.2
Metals	1,163.9	968.9	623.1	638.1
Steel	855.0	683.6	394.7	412.2
Machinery	7,441.0	4,928.6	4,427.1	4,882.0
Motor Vehicles	2,154.6	1,245.7	1,041.1	1,253.2
Vessels	1,793.7	1,066.7	708.0	951.8

*Figures include North African countries, which in 1984 accounted for 35.3 percent of total Japanese exports to Africa.

Source: JETRO, White Paper on International Trade

Table 4: Japan's Imports from Africa by Commodity, 1981-1984*

(in millions of dollars)

	1981	1982	1983	1984
Total Imports	$4,779.2	$3,740.2	$3,272.0	$3,112.4
Food	797.7	826.0	628.2	483.4
Industrial Raw Materials	903.8	822.4	811.9	888.3
Textile Raw Materials	222.3	173.1	201.0	220.7
Metallic Raw Materials	403.7	389.0	356.6	368.3
Other Raw Materials	277.9	260.3	254.2	299.2
Mineral Fuels	1,727.3	1,039.5	864.6	638.4
Manufactured Goods	1,045.0	826.8	868.8	1,003.5

*Figures include North African countries, which in 1984 accounted for 18.5 percent of total Japanese imports from Africa.

Source: JETRO, White Paper on International Trade

Table 5: Japan's Foreign Direct Investment in Africa, FY 1981-FY 1985*

(in millions of dollars)

	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985	Cumulative March 31, 1986
Total	$573	$489	$364	$326	$172	$3,369
Liberia	466	434	323	281	159	2,455
Zaire	12	11	15	--	--	282
Nigeria	1	2	1	0	--	157
Zambia	55	20	--	22	--	142
Others	39	22	24	23	13	333

*Countries not listed by name have less than $100 million in cumulative investments.

Source: Ministry of Finance

In 1983 Japan's bilateral ODA to sub-Saharan Africa was $261.4 million -- 11.8 percent of total aid disbursements. Although the 1984 total dropped to $210.8 million (9.9 percent of the total), officials stress that the decrease does not reflect a turn away from African development needs. They note that the decrease was due to difficulties in granting loans to the region ($103.8 million in 1983 to $37.2 million in 1984). However, they stress that Japan expanded its capital grant assistance ($119 million in 1983 to $133.7 million in 1984) and technical assistance ($38.6 million in 1983 to $39.9 million in 1984). Starting with FY 1985's figures, officials expect to sustain continued increases in ODA --including loans -- to the subcontinent.

Increasingly vocal promises of aid as well as expanding Japanese multilateral assistance also indicate a growing commitment to the region. In 1984 Foreign Minister Abe pledged to increase aid by approximately $48 million during FY 1985 and to send twice as many Japanese Overseas Cooperation Volunteers to Kenya, Tanzania, Morocco, Zambia, Malawi, Ethiopia, Tunisia and Ghana by 1988. Japan is the second-ranked contributor to the African Development Bank and the African Development Fund, and participates with four other countries in the World Bank's Special Facility for Africa.

While Asia remains Japan's top priority for development assistance, Africa will probably fit into the number-two slot. Presently, Latin America, the Middle East and Africa each receive roughly 10 percent of Japan's total ODA. Observers predict, however, that the intensity of African development problems -- coupled with ODA eligibility obstacles caused by the high income levels of Middle East and Latin American countries -- make sub-Saharan Africa a promising candidate for second place.

Because the extreme poverty of the region reduces its ability to repay loans, assistance to African countries is almost exclusively in the form of

grants, especially food aid and agricultural development. This was highlighted during Foreign Minister Abe's 1984 visit to Zambia, Ethiopia and Egypt, during which he promised additional emergency funds for the development of agriculture, transportation and storage facilities; urged international cooperation to eliminate the African food crisis; and said that Japan would work with nations of any political philosophy to reduce the ravages of the famine.

While the famine was at its worst, Japan's assistance consisted largely of food aid. Now that the situation has improved somewhat, the focus has shifted to agricultural development. In an effort to assist the move toward self-sufficiency, Mr. Abe proposed a "Green Revolution for Africa" -- a plan patterned after Asia's Green Revolution in the late 1960s and early 1970s. The five-part proposal includes reforestation, assistance in formulating national development plans, infrastructure improvement, support for rural development reforms and increased aid for small farmers. Mr. Abe's plan was adopted at the Bonn summit meeting in September 1985.

Japan's primary contribution will be a "Green Corps," under the direction of the Japan International Cooperation Agency. Members of the corps will be young volunteers who will plant trees near villages and cities in an attempt to restore ecological balance to the region. Other "Green Aid" efforts include funding for international agricultural research institutes, efforts to improve agricultural technology (especially high-yield seeds) and increased aid for small landholders. Japan is also trying to improve the effectiveness of aid projects by expanding evaluation and follow-up efforts, and by tying more grants to technical assistance. In 1986 JICA began a nursery training and forestry development project in Kenya. Similar technical cooperation projects include the Kilimanjaro Agricultural Development Center; a University of Zambia veterinary education program; a nursery as well as an agricultural study in Senegal; the Baigom agricultural development project in Cameroon; and the Mwea irrigation development in Kenya. All, however, face a major difficulty in that, due to Japan's lack of experience in Africa, few volunteers are well-versed in African issues or -- for Francophone countries -- fluent in French.

The major recipients of Japanese development assistance include Kenya, Ghana, Senegal, Tanzania, Zambia and Zimbabwe. But since its aid is primarily humanitarian, some assistance reaches nearly every country on the subcontinent. Nonetheless, political factors inevitably come into play. For example, the advantages of bringing Mozambique into the Western camp and Tanzania's role as a leader of the non-aligned movement are not lost on Japanese policymakers. Nor is economic strategy completely absent. Aid concessions have been used to secure natural resource supplies and to assist Japanese private investment projects that suffer from the region's economic difficulties (see Table 6).

The African debt crisis, while serious, is structurally different from that of Latin America. Nearly all outstanding Japanese loans are owed to the government, not to private lenders. Japan has taken some steps to alleviate the problem, mainly in the form of debt rescheduling. It has also instituted a program for the Least-Developed African countries whereby a matching aid grant is given for every loan installment repaid to Japan.

Table 6: Japan's Aid to Selected African Countries, 1984

(in millions of dollars)

	Grants	Technical Assistance	Loans	Total
Total	$133.69	$39.93	$37.20	$210.83
Burkina Faso	4.50	0.07	0.00	4.57
Burundi	3.97	0.12	--	4.08
Ethiopia	2.01	1.60	-1.14	2.47
Gambia	3.27	0.09	--	3.36
Ghana	6.34	2.94	3.39	12.67
Guinea	2.41	0.45	-0.14	2.71
Kenya	10.64	11.40	7.97	30.01
Liberia	1.14	1.34	1.15	3.63
Malagasy	3.29	.37	3.21	6.87
Malawi	2.78	2.51	1.11	6.40
Mauritius	3.73	0.16	-0.20	3.69
Mozambique	6.27	0.03	--	6.30
Niger	4.79	0.33	-1.61	3.51
Rwanda	2.21	0.87	--	3.07
Senegal	10.16	1.96	0.55	12.68
Somalia	2.63	0.18	0.40	3.22
Tanzania	12.87	5.41	7.78	26.06
Togo	2.59	0.04	--	2.63
Uganda	5.52	0.09	-0.33	5.28
Zaire	3.31	1.45	0.14	4.91
Zambia	14.85	3.12	8.03	26.00
Zimbabwe	7.87	0.47	9.33	17.67

Source: Annual Blue Book of Foreign Policy

Relations with South Africa

South Africa is by far Japan's most important trading partner on the continent. In 1985 it accounted for 52.1 percent of Japan's imports from Africa and bought 21.9 percent of all Japan's exports to the continent. Japan is South Africa's second-largest customer, buying platinum, chrome, asbestos, manganese, vanadium, coal and corn. Japan is also a major exporter to Pretoria, selling primarily cars and electronic equipment. The economic partnership is considered so important to both countries that South Africa has bestowed -- and the Japanese have accepted -- "honorary white" status.

Despite the close trading relationship, political tensions continue to grow between the two countries. To protest South Africa's apartheid policy, Japan has taken limited sanctions against Pretoria. Diplomatic relations exist only at the consular level. Japan also bans direct foreign investment in South Africa, forbids the export of computers to government authorities, has stopped buying the Krugerrand gold coin, and refuses to participate in athletic, cultural or educational exchanges. The Japanese government has also initiated a

scholarship program for South African black students, and has instructed Japanese firms with operations in the region to give black employees the same working conditions as whites.

In an effort to reinforce the economic relationship and to dissuade Japan from adopting further sanctions, South African Foreign Minister Roelof "Pik" Botha met with his Japanese counterpart, Tadashi Kuranari, in September 1986, marking the first high-level diplomatic visit between the two countries. Mr. Botha asked for Japan's understanding of South Africa's efforts to abolish apartheid, and stressed that because trade with Japan also benefits South Africa's black majority, increased sanctions would also hurt that group. Mr. Kuranari took the occasion to protest Pretoria's racial policies and urged a halt to the recent military strikes and sanctions against neighboring states. He said that Japan would impose more stringent economic sanctions if steps to dismantle apartheid were not taken.

The visit met with mixed reactions in Japan. While government officials welcomed the opportunity to voice their opposition to Pretoria, the Japan Socialist Party and several anti-apartheid groups staged a protest during the foreign ministers' meeting, displaying signs saying "Botha Go Home" and "Pik Botha, We Aren't Honorary Whites. We Are Asians Against Apartheid."

But domestic pressures for enhanced relations with South Africa have also emerged. Members of the Japan-South Africa Parliamentarians' Friendship League stress the necessity of protecting Japanese industries by restoring full diplomatic and economic ties. The group's membership consists of businessmen as well as 40-plus members of the Liberal Democratic Party, including prime ministerial-hopeful Noboru Takeshita.

Critics charge that the sanctions now in place were in fact formulated so that trade with South Africa could continue unhindered. Investment, they say, takes place through third countries. As for the ban on computer sales, the restriction applies only to purchases by the government and the police -- not to local dealers. Moreover, they point to the fact that despite the ban on the Krugerrand, Japanese gold imports from South Africa increased over 300 percent between 1984 and 1985. And they believe that since the government did little to stop private industry from engaging in "sanctions-busting" in Rhodesia, the boycott against Pretoria will not be well enforced. This last criticism has led to the inclusion of an amendment in HR 4868 -- a measure passed this month requiring U.S. sanctions against South Africa -- that authorizes the president to limit imports from any country that "benefits from, or otherwise takes commercial advantage of" U.S. sanctions.

Japanese officials say that their position against South Africa is firmer than that of most Western countries and they emphasize their commitment to following the United States and Europe in taking additional sanctions. At the same time, while no official announcement has yet been made, Japanese government officials hint that they will impose new sanctions unilaterally this month, including an embargo on coal and iron ore purchases, and possibly measures to reinforce South Africa's isolation, such as limiting tourism and shutting down the Johannesburg office of the Japan External Trade Organization.

The Future

It appears that the fears of future oil crises and the lure of sub-Saharan natural resource supplies that were expected to lead to the long-term expansion of Japan/Africa economic relations were unfounded. All indications are that the decline already noted will continue, at least as long as raw materials are abundant and prices remain low in other parts of the world

With the recent succession of Tadashi Kuranari as foreign minister, questions have been raised as to whether Japan's increased aid to the region stemmed from Mr. Abe or from a government consensus, and what effect the transition will have on Japan's African policies. To some extent, it appears that Mr. Abe's rationale for African development aid has been institutionalized, and thus it is likely that Japan -- for political, institutional and humanitarian reasons -- will continue to make sub-Saharan Africa a priority in its foreign aid efforts.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.